

August 25, 2000

Mr. Jorge Somoano
Assistant Director of Resource Management
City of Vernon
Utilities Department
4305 Santa Fe Avenue
Vernon, California 90058

Dear Mr. Somoano:

The California Independent System Operator Corporation (ISO) has had an opportunity to initially review your application and would offer the following thoughts and comments.

1. Consistent with the other Participating Transmission Owners, we would suggest that Vernon move their joint ownership rights described in Section I to Section II, Appendix A, Entitlements. This change would be consistent with Edison's listing of Four Corners (#19), Palo Verde (#22), and Mohave (#23).
2. In Section II, Entitlements, additional explanation of the Sylmar to Laguna Bell Entitlement would be helpful so that the ISO can better understand why two different megawatt levels are listed in the Contract Amount.
3. In Section III, Encumbrances, additional explanation of Vernon's right on COTP, including the actual points of receipt and delivery and the two different megawatt levels that are listed in the Contract Amount, would be beneficial.

Additionally, the ISO would like to request the following additional information:

1. Please describe Vernon's transfer capability at Sylmar.
2. Please provide to the ISO copies of the Operation and Maintenance Agreements addressed in Section VI of your application.
3. Has Vernon revised its thinking on the need for the Transmission Owner (TO) Tariff? As previously discussed, the ISO believes that Vernon does need a TO Tariff.
4. Please provide a description of any and all indictments or pending litigation by any foreign or domestic federal, state or local jurisdiction relating to the City of Vernon, Utilities Department, any officer, director, partner or member thereof, or any Relevant Affiliate concerning the transmission rights Vernon is proposing to turn over to the ISO.

5. Please provide a description, in detail, of any situation in which the City of Vernon, Utilities Department (either alone or as part of a joint venture), or Relevant Affiliate, has been determined by a court or arbitration panel to have breached, defaulted or was deemed to be in noncompliance of its contractual obligations to provide goods or services to another party as such goods or services relate to transmission facilities Vernon proposes to turn over to the ISO, explaining the situation, its outcome and all other relevant facts associated with the event described. Please also note the name, title and telephone number of the principal manager of the customer/client who asserted the breach, default or noncompliance. A list of all court or regulatory actions within the last five years brought by the City of Vernon, Utilities Department (either alone or as part of a joint venture), or Relevant Affiliate, claiming breach, default or noncompliance of a contractual obligation by a seller of goods or services as such goods or services relate to transmission facilities Vernon proposes to turn over to the ISO.

As stated above these are our initially comments. The ISO wanted to provide feedback as soon as possible to allow Vernon time to provide the additional information and make whatever changes they agree with. However, these comments may not be all of the comments that may be provided by the ISO in accordance with the review process allowed in the Transmission Control Agreement. If you have any questions or need additional information, please let me know. I can be reached at (916) 351-2144.

Kindest regards,

Deborah A. Le Vine
Director of Contracts & Compliance

cc: Judi Mosley, PG&E
Richard Rosenblum, Edison
Don Garber, SDG&E